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The Public Service Commission State of South Carolina

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August 6, 2007

Certified Mail - Return Receipt Requested

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Columbia, South Carolina 29211

Re: Docket No. 2007-155-C – Application of Inter-Tel NetSolutions, Inc. for a
Certificate of Public Convenience and Necessity

Dear Scott, Margaret, and Shannon:

Enclosed please find a proposed order in the above-captioned docket, which is being delivered to you pursuant to the requirements of 26 S.C. Code Ann. Regs. 103-841(C). As parties of record in this case, you have ten (10) days from your receipt of this proposed order to file exceptions, present briefs, and/or file written requests for oral argument to the Commission, if you should desire to do so. If none of these are received by me within 10 days of your receipt of the proposed order, I will request that the Commission issue its order in this case based upon the record of the formal proceeding and the proposed order.

Sincerely,

F. David Butler
Hearing Examiner

FDB/hha
Enclosure
cc: Joseph Melchers, Chief Counsel
Douglas Pratt, Advisory Staff

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-155-C - ORDER NO. 2007-
AUGUST 6, 2007

IN RE:	Application of Inter-Tel NetSolutions,)	ORDER GRANTING
	Incorporated For a Certificate of Public)	CERTIFICATE AND
	Convenience and Necessity to Provide Resold)	APPROVING FLEXIBLE
	Local Exchange Telecommunications)	REGULATION-
	Services and for Flexible Regulation)	PROPOSED ORDER OF
)	THE HEARING
)	EXAMINER

This matter comes before the Public Service Commission of South Carolina (“Commission”) by way of the Application of Inter-Tel NetSolutions (“Inter-Tel” or the “Company”) requesting a Certificate of Public Convenience and Necessity authorizing it to provide resold local exchange telecommunications services within the State of South Carolina. The Company’s Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 2006) and the rules and regulations of the Commission. By its Application, Inter-Tel also requests flexible regulation of its local exchange service offerings pursuant to Order No. 98-165 in Docket No. 1997-467-C, and waiver of certain Commission regulations.

The Commission’s Docketing Department instructed Inter-Tel to publish, one time, a Notice of Filing in newspapers of general circulation in the areas of the state affected by the Application. The purpose of the Notice of Filing was to inform interested

parties of the Application of Inter-Tel and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. Inter-Tel complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. A Petition to Intervene was filed by the South Carolina Telephone Coalition (“SCTC”). Subsequent to the intervention, Inter-Tel and SCTC reached a Stipulation, attached hereto as Order Exhibit 2.

Subsequently, Inter-Tel and ORS filed a Settlement Agreement attached hereto as Order Exhibit 1. A hearing was convened on July 30, 2007 at 11:30 a.m. in the offices of the Commission in Columbia, South Carolina, before David Butler, Hearing Examiner. Inter-Tel was represented by Scott Elliott, Esquire. The Office of Regulatory Staff (“ORS”) was represented by Shannon Bowyer Hudson, Esquire. The South Carolina Telephone Coalition did not appear at the hearing.

Harding Easley, Regional Director of the Company, appeared and testified in support of the Company’s Application. Mr. Easley adopted the prefiled testimony and exhibit of Jon Brinton, Vice-President and General Manager of the Company. The record reveals that Inter-Tel is incorporated in Texas and has registered to transact business in South Carolina as a foreign corporation. According to Mr. Easley, the Company seeks authority as a reseller of local services. Mr. Easley explained the Company’s request for authority, and the record further reveals the Company’s services, operations, and marketing procedures. Mr. Easley also discussed Inter-Tel’s technical, financial, and managerial resources to provide the services for which it seeks authority. Mr. Easley offered that Inter-Tel possesses sufficient financial resources to support its operations in

South Carolina. Inter-Tel already possesses interexchange authority, pursuant to Commission Order No. 97-300, dated April 10, 1997.

Mr. Easley discussed, under questioning by the Hearing Examiner, a portion of the 10-K form submitted as an exhibit to the prefiled testimony (Hearing Exhibit 3) which described the circumstances behind a debarment of one of Inter-Tel's subsidiary corporations from the Federal Universal Service Fund E-Rate program for a one-year period. Mr. Easley noted that the debarment was applicable only to the Inter-Tel Technologies subsidiary, and was not applicable to Inter-Tel NetSolutions, the Applicant in this case, or any other Inter-Tel company. The 10-K form supported this testimony.

With regard to management and technical capabilities, the Company's Application and Mr. Easley's testimony both evidence that Inter-Tel's management has extensive experience in telecommunications, information technology, regulatory matters, and accounting and finance. Mr. Easley also testified that Inter-Tel will operate in accordance with Commission rules, regulations, guidelines, and Commission Orders. Mr. Easley offered that approval of Inter-Tel's Application would serve the public interest.

Mr. Easley, on behalf of the Company, requests a waiver of 26 S.C. Code Ann. Regs.103-610, since the Company's books are maintained in Arizona. Further, the Company requests an exemption from record keeping policies that require maintenance of financial records in conformance with the Uniform System of Accounts ("USOA"). Inter-Tel maintains its books in accordance with Generally Accepted Accounting Principles ("GAAP"). In addition, the Company requests that it not be required to publish

local exchange directories or furnish operating area maps, and therefore requests waivers of 26 S.C. Code Ann. Regs. 103-631 and 103-612.2.3, respectively.

After full consideration of the applicable law, the Company's Application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. Inter-Tel is incorporated under the laws of the State of Texas and is authorized to do business as a foreign corporation in South Carolina by the Secretary of State.
2. Inter-Tel desires to operate as a provider of resold local services in South Carolina.
3. We find that Inter-Tel possesses the managerial experience and capability to operate as a provider, through resale, of local services in South Carolina.
4. We find, based on the financial statements submitted by the Company and the testimony at the hearing, that Inter-Tel possesses sufficient financial resources to provide the services as described in its Application and testimony.
5. We find that the issuance of a Certificate of Public Convenience and Necessity to Inter-Tel as a reseller of local exchange telecommunications in South Carolina would be in the best interest of the citizens of South Carolina by providing competitive services in South Carolina.
6. Inter-Tel requests a waiver of 26 S.C. Code Ann. Regs. 103-610. The Commission finds Inter-Tel's requested waiver reasonable and understands the potential

difficulty presented to Inter-Tel should the waiver not be granted. Further, we find that a waiver of 26 S.C. Code Ann. Regs. 103-610 to be in the public interest. We also believe that exemption from the policies that would require the Company to keep its records under the USOA is reasonable. Additionally we find that a waiver of 26 S.C. Code Ann. Regs. 103-631 and 103-612.2.3 is reasonable and in the public interest.

7. The Company has the managerial, technical, and financial resources to provide the services as described in its Application. S.C. Code Ann. Section 58-9-280 (B) (1) (Supp. 2006).

8. The Commission finds that the Company's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. Section 58-9-280 (B) (3) (Supp. 2006).

9. The Commission finds that the Company will support universally available telephone service at affordable rates. S.C. Code Ann. Section 58-9-280 (B) (4) (Supp. 2006).

10. The Commission finds that services to be provided by the Company will meet the service standards of the Commission. S.C. Code Ann. Section 58-9-280 (B) (2) (Supp. 2006).

11. The Commission finds that the provision of local exchange service by the Company "does not otherwise adversely impact the public interest." S.C. Code Ann. Section 58-9-280(B)(5) (Supp. 2006).

12. Following execution of a Stipulation with intervenor South Carolina Telephone Coalition ("SCTC"), the SCTC withdrew its opposition to the Application.

CONCLUSIONS OF LAW

1. The Commission concludes that Inter-Tel possesses the managerial, technical, and financial resources to provide the telecommunications services as described in its Application.

2. The Commission concludes that Inter-Tel will participate in the support of universally available telephone service at affordable rates to the extent that Inter-Tel may be required to do so by the Commission.

3. The Commission concludes that Inter-Tel will provide services which will meet the service standards of the Commission.

4. The Commission concludes that approval of Inter-Tel's Application to provide intrastate telecommunications services within South Carolina will serve the public interest by providing for efficient use of existing telecommunications resources.

5. The Commission concludes that the provision of telecommunications service by Inter-Tel will not adversely impact the public interest.

6. The Commission concludes that the issuance of the authority to provide intrastate local exchange telecommunications services as requested by Inter-Tel and as set forth in its Application and Mr. Easley's testimony is in the best interests of the citizens of the State of South Carolina.

7. The Commission concludes that a Certificate of Public Convenience and Necessity should be granted to Inter-Tel to provide resold intrastate local exchange telecommunications services.

8. The Commission concludes the Company's local exchange telecommunications services shall be regulated in accordance with the principles and procedures established for flexible regulation first granted to NewSouth Communications by Order No. 98-165 in Docket No. 97-467-C. Specifically, the Commission adopts for the Company's competitive intrastate local exchange services a rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels approved by the Commission. Further, the Company's local exchange service tariff filings are presumed valid upon filing, subject to the Commission's right within thirty (30) days to institute an investigation of the tariff filing, in which case the tariff filing would be suspended pending further Order of the Commission. Further, any such tariff filings will be subject to the same monitoring process as similarly situated competitive local exchange carriers.

9. We conclude that Inter-Tel's request for waiver of 26 S.C. Code Ann. Regs. 103-610 should be granted as strict compliance with the regulation would potentially cause undue hardship on that Company. We also grant exemption from the policies requiring the use of USOA. In addition, we grant waiver of 26 S.C. Code Ann. Regs. 103-631 which requires publication of a local telephone directory and 26 S.C. Code Ann. Regs. 103-612.2.3, which requires the filing of operating area maps.

10. The Stipulation and Settlement Agreement between the various parties should be approved.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:

1. A Certificate of Public Convenience and Necessity should be granted to Inter-Tel to provide resold local exchange telecommunications services within the State of South Carolina.

2. The Company's rate designs for its products shall conform to those designs described in Conclusions of Law above.

3. If it has not already done so by the date of issuance of this Order, Inter-Tel shall file its revised tariff, if any, and an accompanying price list for any applicable rates within thirty (30) days of receipt of this Order. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations, as well as the provisions of the Inter-Tel-ORS Settlement Agreement.

4. Inter-Tel shall resell the services of only those LECs authorized to do business in South Carolina by this Commission. If Inter-Tel changes underlying carriers, it shall notify the Commission in writing.

5. Inter-Tel shall file annual financial information in the form of annual reports and gross receipts reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, Inter-Tel shall keep financial records on an intrastate basis for South Carolina to comply with the annual report and gross receipts filings. The proper form for filing annual financial information can be found at the Commission's website at www.psc.sc.gov/forms.asp or at the ORS's website at w.w.w.regulatorystaff.sc.gov. The title of this form is "Telecommunications Company Annual Report." This form shall be

utilized by the Company to file annual financial information with the Commission and ORS and shall be filed no later than **April 1st**.

Commission gross receipts forms are due to be filed with the Commission and ORS no later than **August 31st** of each year. The proper form for filing gross receipts information can be found at the ORS website at www.regulatorystaff.sc.gov, and the appropriate form is entitled "Gross Receipts Form."

Each telecommunications company certified in South Carolina is required to file annually with the ORS the Intrastate Universal Service Fund ("USF") worksheet, which may be found on the ORS's website at www.regulatorystaff.sc.gov. This worksheet provides ORS information required to determine each telecommunications company's liability to the State USF fund. The Intrastate USF worksheet is due to be filed annually no later than **August 15th** with the Commission and ORS.

6. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission and ORS in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. Inter-Tel shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The "Authorized Utility Representative Information" form can be found at the Commission's website at www.psc.sc.gov/forms.asp; this form shall be utilized for the provision of this

information to the Commission and ORS. Further, the Company shall promptly notify the Commission and ORS in writing if the representatives are replaced.

7. The Company is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

8. At the hearing, Inter-Tel requested a waiver of 26 Code Ann. Regs. 103-610 (Supp. 2006), which requires that records required by the Commission's Rules and Regulations be maintained in South Carolina. The Commission finds Inter-Tel's requested waiver reasonable and understands the potential difficulty presented to Inter-Tel should the waiver not be granted. The Commission therefore grants the requested waiver. However, Inter-Tel shall make available its books and records at all reasonable times upon request by the Office of Regulatory Staff, and Inter-Tel shall promptly notify the Commission and ORS if the location of its books and records changes.

9. Inter-Tel also requests that it be exempt from record keeping policies that require a carrier to maintain its financial records in conformance with the Uniform System of Accounts. The USOA was developed by the FCC as a means of regulating telecommunications companies subject to rate base regulation. As a competitive carrier, Inter-Tel maintains its book of accounts in accordance with Generally Accepted Accounting Principles. GAAP is used extensively by interexchange carriers and other providers. Accordingly, Inter-Tel requests an exemption from the USOA requirements. We grant the Company's request for the reasons stated above.

10. Inter-Tel is required to comply with Title 23, Chapter 47 of the South Carolina Code Annotated, which governs the establishment and implementation of a

“Public Safety Communications Center,” which is more commonly known as a “911” system or “911 service.” Services available through a 911 system include law enforcement, fire, and emergency medical services. In recognition of the necessity of quality 911 services being provided to the citizens of South Carolina, the Commission hereby instructs Inter-Tel NetSolutions to contact the appropriate authorities regarding 911 service in the counties and cities where the Company will be operating, should the Company become interconnected to the public switched telephone network. Contact with the appropriate 911 service authorities is to be made before beginning local telephone service in South Carolina. Accompanying this Order is a memo from the State 911 Office of the Office of Research & Statistics of the South Carolina Budget and Control Board. This memo provides information about contacting County 911 Coordinators. By this Order and prior to providing local telephone services in South Carolina, Inter-Tel shall contact the 911 coordinator in each county (and city where the city has its own 911 system) and shall provide information regarding the Company’s operations as required by the 911 system.

11. The Stipulation and Settlement Agreement between the various parties are hereby approved.

12. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

G. O'Neal Hamilton, Chairman

ATTEST:

C. Robert Moseley, Vice Chairman

(SEAL)

Docket No. 2007-155-C– Application of Inter-Tel)
NetSolutions, Inc. for a Certificate of Public)
Convenience and Necessity to Provide Resold)
Local Exchange Telecommunications Services and)
for Flexible Regulation.)

CERTIFICATE OF SERVICE

(By Certified U.S. Mail)
(Return Receipt Requested)

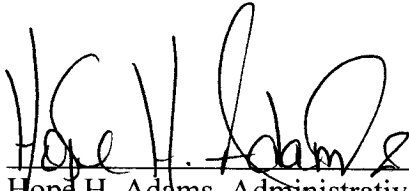
I, Hope H. Adams, an employee of the Public Service Commission of South Carolina, do hereby certify that I have this date served one (1) copy of ***Order Granting Certificate and Approving Flexible Regulation – Proposed Order of the Hearing Examiner*** issued in the above-referenced docket, dated August 6, 2007, to the person(s) named below by causing said copies to be deposited with the United States Postal Service, by certified mail, return receipt requested, postage prepaid and addressed as follows.

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August 6, 2007
Columbia, South Carolina



Hope H. Adams, Administrative Assistant
Public Service Commission of South Carolina